

CITY OF LECOMPTON, KANSAS

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2015

And

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

...***KL***...

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Certified Public Accountants

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CITY OF LECOMPTON, KANSAS
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

The Honorable Mayor and City Council
P.O. Box 100
Lecompton, Kansas 66050

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Lecompton, Kansas ("Municipality") as of and for the year ended December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Lecompton to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Lecompton as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.

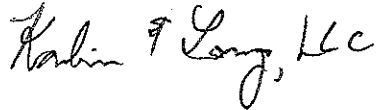
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Lecompton (“Municipality”) as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the 2015 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2015 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statement. The 2015 information

has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 basic financial statement or to the 2015 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2015 basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Karlin & Long, LLC".

Karlin & Long, LLC
Certified Public Accountants

Lawrence, KS
February 15, 2016

CITY OF LECOMPTON, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2015

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 263,085	0	\$ 225,133	\$ 328,306	\$ 159,912	0	\$ 159,912
Special Purpose Funds							
Employee benefit reserve	652	0	10,074	9,450	1,276	0	1,276
Consolidated Street & highway	24,010	0	16,705	2,645	38,070	0	38,070
Capital Improvement Reserve	30,000	0	36,000	54,414	11,586	0	11,586
Equipment reserve	4,800	0	0	0	4,800	0	4,800
Housing Grant	1,362	0	0	0	1,362	0	1,362
Business Funds:							
Sewer Utility	63,485	0	52,396	39,988	75,893	0	75,893
Water Utility	497,164	0	172,488	128,310	541,342	0	541,342
Bond and Interest Fund:							
Bond and Interest	22,316	0	87,522	102,659	7,179	0	7,179
Capital Project							
Water Tower	6,983	0			6,983	0	6,983
Total Reporting Entity	\$ 913,857	\$ 0	\$ 600,318	\$ 665,772	\$ 848,403	\$ 0	\$ 848,403
Composition of Cash							
					Checking Accounts		\$ 316,454
					Savings Accounts		78,526
					Petty Cash		
					Municipal Investment Pool		
					Certificates of Deposit		453,423
					Total Component Unit		
					Total Reporting Entity		\$ 848,403

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Lecompton, Kansas is a municipal corporation governed by an elected six member council. The regulatory statement presents the City of Lecompton (the municipality). There are no organizations which meet the criteria for being combined in the City's report.

Regulatory Basis Fund Types

General Fund – The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - Used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund – Used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, sewer fund, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt. Accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds, and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the 2015 year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budgeted expenditure authority lapses at year end.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

A legal operating budget is not required for capital projects funds, trust funds and the following special purpose funds:

- 1) Capital Improvement Fund,
- 2) Equipment Reserve Fund,
- 3) CDBG Grant Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes for the period under audit.

NOTE 3 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2015.

At December 31, 2015, the City's carrying amount of deposits was \$ 848,403 and the bank balance was \$ 849,060. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance at year end, \$ 500,000 was covered by federal depository insurance and the remaining \$ 349,060 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk- Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 4 – Defined Benefit Pension Plan

Plan Description – The City of Lecompton, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Defined Benefit Pension Plan (continued)

Contributions – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates depending on whether the employee is KPERS 1, KPERS2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to provisions Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on results of each annual actuarial valuation. Kansas sets a limitation on annual increases in the employer contributions rates. The actuarially determined employer contribution rate (not including the .085% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from the City of Lecompton, Kansas were \$5,765 for the year ended December 31, 2015.

Net Pension Liability

At December 31, 2015, the City of Lecompton, Kansas' proportionate share of the collective net pension liability reported by KPERS was \$5,765 the net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined was an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The City of Lecompton, Kansas' proportion of the net pension liability was based on the ratio of the City of Lecompton, Kansas' contributions to KPERS, relative to the total employer and non employer contributions to the Local subgroup within KPERS. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actual valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website www.KPERS.org or can be obtained as described above.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Long Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the city is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the city makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences

City employees receive vacation and sick leave benefits. Vacations benefits accrue on a monthly basis and an annual carryover caps the number of days transferred from year to year. Upon termination, employees are compensated for any unused vacation leave. Sick leave accrues on a monthly basis up to a maximum. Upon termination, employees are not compensated for any unused sick leave. This amount has not been recorded in the financial statements.

NOTE 6 – Claims and Judgments

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of February 15, 2016, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2014 to 2015 and there were no settlements that exceeded insurance coverage in the past three years.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Claims and Judgments (continued)

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

NOTE 7 – Operating Transfers

Transfers during 2015 were as follows:

From	To		
General Fund	Employee Benefit	529	per K.S.A 79-2526
General Fund	Bond and Interest Fund	45,803	per K.S.A. 12-1,117

NOTE 8 – Subsequent Events

Management has evaluated the effects of the financial statement of subsequent events occurring through February 15, 2016 which is the date at which the financial statement was available to be issued.

City of Lecompton, Kansas

Regulatory-Required

Supplementary Information

For the year ended December 31, 2015

CITY OF LECOMPTON, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 (Budgeted Funds Only)
 For the Year Ended December 31, 2015

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 386,380	\$ 0	\$ 0	\$ 386,380	\$ 328,306	\$ (58,074)
Special Purpose Funds:						
Employee Benefit Fund	9,450	0	0	9,450	9,450	0
Consolidated Street & Highway	67,176	0	0	67,176	2,645	(64,531)
Total Special Purpose Funds	76,626	0	0	76,626	12,095	(64,531)
Business Funds:						
Sewer utility	139,153	0	0	139,153	39,988	(99,165)
Water Utility	493,750	0	0	493,750	128,310	(365,440)
Total Business Funds	632,903	0	0	632,903	168,298	(464,605)
Bond and Interest Fund:						
Bond and Interest	105,400	0	0	105,400	102,659	(2,741)

CITY OF LECOMPTON, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2015

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 43,644	\$ 43,787	\$ (143)
Delinquent tax	873	15,000	(14,127)
Motor vehicle tax	7,878	6,664	1,214
RV tax	76	402	(326)
16/20M vehicle tax	47	49	(2)
Total taxes	52,518	65,902	(13,384)
Franchise fees	21,033	28,500	(7,467)
Intergovernmental revenues		1,778	(1,778)
Sales tax	93,703	80,000	13,703
Licenses, rent, permits	4,549	7,000	(2,451)
Solid Waste Collections	28,796	38,000	(9,204)
Interest income	1,349		1,349
Miscellaneous revenues	23,185		23,185
Operating transfers			0
Total Cash Receipts	225,133	221,180	3,953
EXPENDITURES			
General government			
Personnel services	27,685	35,000	(7,315)
Contractual	119,083	100,000	19,083
Commodities	18,309	30,000	(11,691)
Total General Government	165,077	165,000	77
Highways and streets	17,793	33,000	(15,207)
Debt service			0
Sanitation	35,575	37,025	(1,450)
Parks & Recreation	1,714	1,355	359
Capital outlay	61,815	150,000	(88,185)
Operating transfers	46,332		46,332
Adjustment for qualifying budget credits			0
Total Expenditures	328,306	\$ 386,380	\$ (58,074)
Receipts Over (Under) Expenditures	(103,173)		
Unencumbered Cash, Beginning	263,085		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 159,912		

CITY OF LECOMPTON, KANSAS
SPECIAL PURPOSE FUND
 EMPLOYEE BENEFITS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 7,980	\$ 8,030	\$ (50)
Delinquent tax	123	180	(57)
Motor vehicle tax	1,426	904	522
RV tax	10	14	(4)
16/20M vehicle tax	6	7	(1)
Intergovernmental revenue			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>529</u>		<u>529</u>
Total Cash Receipts	<u>10,074</u>	<u>9,135</u>	<u>939</u>
EXPENDITURES			
General administration	9,450	9,450	0
Public safety			
Personnel services			0
Commodities			0
Contractual			0
Capital outlay			0
Operating transfers			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>9,450</u>	<u>\$ 9,450</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	624		
Unencumbered Cash, Beginning	652		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 1,276</u>		

CITY OF LECOMPTON, KANSAS
SPECIAL PURPOSE FUND
 CONSOLIDATED STREET & HIGHWAY FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
16/20M vehicle tax			0
Fuel tax	16,657	17,640	(983)
Sales tax			0
Bond proceeds			0
Interest income			0
Miscellaneous revenues	48		48
Operating transfers			0
	<u>16,705</u>	<u>17,640</u>	<u>(935)</u>
EXPENDITURES			
Highway & Streets	2,645	67,176	(64,531)
Operating transfers			0
Adjustment for qualifying budget credits			0
	<u>2,645</u>	<u>\$ 67,176</u>	<u>\$ (64,531)</u>
Receipts Over (Under) Expenditures	14,060		
Unencumbered Cash, Beginning	24,010		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>38,070</u>		

CITY OF LECOMPTON, KANSAS
BUSINESS FUND
 SEWER UTILITY FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Charges for services	\$ 52,396	\$ 55,000	\$ (2,604)
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>52,396</u>	<u>55,000</u>	<u>(2,604)</u>
Total Cash Receipts			
	<u>52,396</u>	<u>55,000</u>	<u>(2,604)</u>
EXPENDITURES			
General Government	19,849	28,000	(8,151)
Production	14,787	26,500	(11,713)
Capital outlay		64,090	(64,090)
Debt service	5,352	10,563	(5,211)
Operating transfers		10,000	(10,000)
Adjustment for qualifying budget credits			0
	<u>39,988</u>	<u>\$ 139,153</u>	<u>\$ (99,165)</u>
Total Expenditures			
	<u>39,988</u>	<u>\$ 139,153</u>	<u>\$ (99,165)</u>
 Receipts Over (Under) Expenditures	 12,408		
Unencumbered Cash, Beginning	63,485		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 75,893</u>		

CITY OF LECOMPTON, KANSAS
BUSINESS FUND
 WATER FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	Variance- Over <u>(Under)</u>
CASH RECEIPTS			
Charges for services	\$ 172,488	\$ 190,000	\$ (17,512)
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>172,488</u>	<u>190,000</u>	<u>(17,512)</u>
Total Cash Receipts			
	<u>172,488</u>	<u>190,000</u>	<u>(17,512)</u>
EXPENDITURES			
General Government	50,765	125,000	(74,235)
Production	54,845	250,000	(195,155)
Capital outlay		75,000	(75,000)
Debt service	22,700		22,700
Operating transfers		43,750	(43,750)
Adjustment for qualifying budget credits			0
	<u>128,310</u>	<u>\$ 493,750</u>	<u>\$ (365,440)</u>
Total Expenditures			
	<u>128,310</u>	<u>\$ 493,750</u>	<u>\$ (365,440)</u>
 Receipts Over (Under) Expenditures	 44,178		
Unencumbered Cash, Beginning	497,164		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 541,342</u>		

CITY OF LECOMPTON, KANSAS
BOND AND INTEREST FUND
 BOND AND INTEREST FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 35,734	\$ 36,646	\$ (912)
Delinquent tax	692	600	92
Motor vehicle tax	5,193	5,579	(386)
RV tax	63	85	(22)
16/20M vehicle tax	37	42	(5)
Fuel tax			0
Sales tax			0
Bond proceeds			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>45,803</u>	<u>53,750</u>	<u>(7,947)</u>
Total Cash Receipts	<u>87,522</u>	<u>96,702</u>	<u>(9,180)</u>
EXPENDITURES			
Debt Service	102,659	105,400	(2,741)
Operating transfers			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>102,659</u>	<u>\$ 105,400</u>	<u>\$ (2,741)</u>
Receipts Over (Under) Expenditures	(15,137)		
Unencumbered Cash, Beginning	22,316		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 7,179</u>		

CITY OF LECOMPTON, KANSAS

ANY NONBUDGETED FUNDS

Regulatory Basis

For the Year Ended December 31, 2015

	Capital Improvements	Equipment Reserve	Housing Grant
CASH RECEIPTS			
Federal grants	\$ 36,000	\$	\$
State aid/grants			
Loan Proceeds			
Charges for services			
Interest income			
Miscellaneous revenues			
Operating transfers			
Total Cash Receipts	<u>36,000</u>	<u>0</u>	<u>0</u>
EXPENDITURES			
Operations			
Personnel services			
Commodities			
Contractual			
Capital outlay	54,414		
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
Total Expenditures	<u>54,414</u>	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	(18,414)	0	0
Unencumbered Cash, Beginning	30,000	4,800	1,362
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>11,586</u>	\$ <u>4,800</u>	\$ <u>1,362</u>

...KL...

Karlin & Long, LLC
Certified Public Accountants

February 15, 2016

Honorable Mayor and City Council

PO Box 100

Lecompton, KS 66050

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lecompton, Kansas for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you February 15, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Lecompton, Kansas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by City of Lecompton, Kansas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

10115 Cherry Lane
Lenexa, Kansas 66220
(913) 829-7676

2200 Kentucky Avenue
Platte City, Missouri 64079
(816) 858-3791

901 Kentucky Street, Suite 104
Lawrence, Kansas 66044
(785) 312-9091

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 15, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Lecompton, Kansas' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

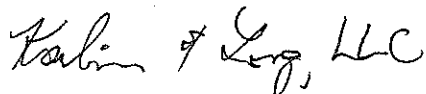
Other Matter

With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of The Honorable May and City Council of the City of Lecompton, Kansas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Karlin & Long, LLC
Certified Public Accountants